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Market Brief for Tree Nuts

Report Categories:

Tree Nuts

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Report Highlights:

The United States accounted for almost 100 percent of the \$38 million Korean almond market in 2008, which was a record high. Imports are expected to reach another record high in 2009 as U.S. prices are competitive and demand remains strong. The United States is also a predominant supplier of walnuts and pistachios to Korea. Walnut imports increased sharply over the past several years. Almonds and pistachios are not produced in Korea. Once ratified, the Korea-U.S. Free Trade Agreement is expected to provide good opportunities for U.S. tree nut exporters.

General Information:

SECTION I: MARKET OVERVIEW

Korea was the world's 14th largest economy in 2008 [1] with a GDP of \$1.34 trillion on a purchasing power parity (PPP) basis. Per capita GDP (PPP) in Korea was \$27,600 in 2008. Although the Korean economy has been affected by the global economic crisis, it is recovering quickly. The Korea Development Institute, a Korean government economic

think-tank, most recently forecast Korea's 2009 economic growth at - 0.7 percent, but may accomplish 4.2 percent growth in 2010. South Korea has a population of about 50 million and is similar in size to the state of Indiana.

Korea's total imports of agricultural products reached a record high of \$24 billion in 2008, and also a record high of about \$6.9 billion U.S. imports. However, because of the global economic crisis, total imports of agricultural products from the rest of the world and the United States are forecast to fall back to 2007 levels. Although actual growth of Korea's export-oriented economy will depend on external conditions, it is clear that Korea will remain one of the top markets for U.S. food and agricultural products in the foreseeable future. In part, demand for U.S. products is driven by Korean consumer trends which are converging with consumer trends in other developed economies including the United States.

The United States accounts for almost 100 percent of the almond market in Korea. Korea does not produce almonds. In 2008, Korea imported a total of 7,600 metric tons of shelled and in-shell almonds worth about \$39 million, and the United States supplied almost 100 percent of these imports. The competitive U.S. prices of almonds and growing demand in Korea are expected to break another record in 2009, and will provide good opportunities for expanding the Korean market in the future.

The United States is the predominant supplier of in-shell and shelled walnuts to Korea. Korea imported about 4,900 metric tons of shelled and in-shell walnuts in 2008, of which about 4,500 metric tons came from the United States. Walnut imports increased sharply over the past several years. However, in 2008, walnut imports decreased significantly resulting from extremely high prices. However, walnut imports are expected to reach a record high in 2009 resulting from the significantly lower prices compared with those of the previous years. About 1,000 metric tons of walnuts were produced locally in 2007. It is reported that about 300 tons of shelled walnuts come to South Korea annually from North Korea, which is not considered as international trade, but as intra-Korean trade.

No pistachios are produced in Korea. Korea imported about 500 metric tons of pistachios in 2008 worth about \$2.9 million, of which the United States supplied 375 metric tons, and Iran, China and Hong Kong supplied the remaining 130 metric tons. The pistachio market is stable in Korea.

The Korea-U.S. Free Trade Agreement (KORUS FTA) concluded in early 2007 is expected to provide opportunities for U.S. tree nut exporters. The KORUS FTA is currently pending in the National Assembly of Korea and the U.S. Congress; it must be ratified by both before it can be implemented.

ADVANTAGES	DISADVANTAGES
No local production of almonds and pistachios, and small local production of walnuts	Importing prices occasionally fluctuate.
Not much competition	Tariffs for prepared nuts are high.
The KORUS FTA will make U.S. tree nuts more competitive.	The KORUS FTA is still pending.

SECTION II: MARKET SECTOR OPPORTUNITIES AND THREATS

Almost all almonds, walnuts and pistachios are imported in raw form as the tariff rates for prepared/roasted nuts are high, that is, 45 percent on the CIF value plus a 10 percent Value Added Tax.

Imported almonds are consumed mostly in chocolates, bakery goods, ice cream, breakfast cereals and as snacks in Korea. The local demand for almonds is increasing gradually as the current price of almonds is attractive compared with the previous prices. Although not required by the local government, almonds are fumigated before they are imported to prevent insect damage. In past years, almond prices fluctuated widely, but import prices have remained stable in recent years. When import prices are high, almond importers reduce their import volume.

Walnut imports have increased sharply over the past several years as the nutritional benefits of walnuts have become more widely known among Korean consumers. Most walnuts are consumed as snacks in a raw form. In some cases, walnuts are also used in bakery goods and ice cream. Walnuts have sold very well through TV home shopping channels. Fumigation for walnuts is required by the local government. The high prices of walnuts in the United States resulted in decreased imports of walnuts in Korea in 2008. However, walnut importing prices declined to a very competitive level in 2009 and walnut imports are expected to reach a record high in 2009.

Almost all pistachios are also imported in raw form as the tariff rate for roasted pistachios is very high. Pistachio imports have not been increasing much over the past several years. In 2009, U.S. pistachio prices have increased considerably. Pistachios are consumed mostly as snacks, and some are also consumed in bakery products and ice cream. Traders say that almost all pistachios imported into Korea are bleached and mechanically opened. Naturally opened pistachios are not being imported in large quantities according to traders.

The Free Trade Agreement between the United States and Korea will provide good opportunities for U.S. almond, walnut and pistachio suppliers when it is implemented as the current customs duties for almonds and pistachios will be free immediately, and the customs duties for shelled walnuts will phase out over 6 years. In-shell walnut tariffs will phase out over 15 years under the agreement. The KORUS FTA is yet to be ratified by both the National Assembly of Korea and the U.S. Congress.

Entry Strategy

One of the best ways to enter into the Korean market is to contact potential importers directly by introducing the exporting company and its products through e-mails and/or fax to explore possible market opportunities in Korea. If U.S. exporters do not have lists of potential importers, they can contact ATO Seoul to obtain them.

Another way of finding potential importers is to participate in a local food show to showcase the exporters' products to a larger audience. Many Korean importers attending these shows are looking to establish reliable, long-term trading relationships. Show participation enhances initial contacts with importers, agents, wholesalers, distributors, retailers and others.

Currently, there is one trade show supported by ATO Seoul in Korea. The "Seoul Food & Hotel 2010" Show will be held in Ilsan in the suburbs of Seoul, May 12-15, 2010. The show presents an excellent chance to explore possible

market opportunities in Korea. This show is a trade only show and targets importers, wholesalers, distributors, retailers, hotels, restaurants, food processors, media, etc.

Market Size, Structure, Trends

The United States is the major supplying country of almonds, walnuts and pistachios to Korea. The recent attractive prices and good harvest of almonds will provide good opportunities for Korean importers as well as U.S. exporters. There are virtually no competitors against the United States for almonds and no local production.

In 2008, Korean walnut imports declined to 4,890 tons from 6,935 tons in volume, but increased to a record high to \$43.5 million from \$38.4 million in value resulting from a sharp increase in walnut prices. Korea produces about 900-1,000 metric tons of walnuts annually. However, the supply is far less than the total demand. Pistachio imports have been stable and are expected to remain at about the same level for several years to come.

Table 1: Almond Imports by Year Value - \$1,000 Volume – Metric Ton

	2006		2007		2008		2009(Jan-Aug)	
	Value	Volume	Value	Volume	Value	Volume	Value	Volume
USA	38,083	5,196	34,536	6,060	38,865	7,599	33,628	7,447
Others	448	66	58	11	16	1	87	16
Total	38,531	5,262	34,594	6,071	38,881	7,600	33,715	7,463

*Imports included both shelled and in-shell almonds

Source: Korea Trade Information Service

Table 2: Walnut Imports by Year Value - \$1,000 Volume – Metric Ton

	2006		2007		2008		2009(Jan-Aug)	
	Value	Volume	Value	Volume	Value	Volume	Value	Volume
USA	33,482	5,430	34,912	5,494	43,784	4,547	29,337	6,570
Vietnam	5,504	2,668	3,466	1,441	0	0	141	88
Others	13	15	0	0	751	343	0	0
Total	38,999	8,113	38,378	6,935	43,535	4,890	29,478	6,658

*Imports included both shelled and in-shell walnuts

Source: Korea Trade Information Service

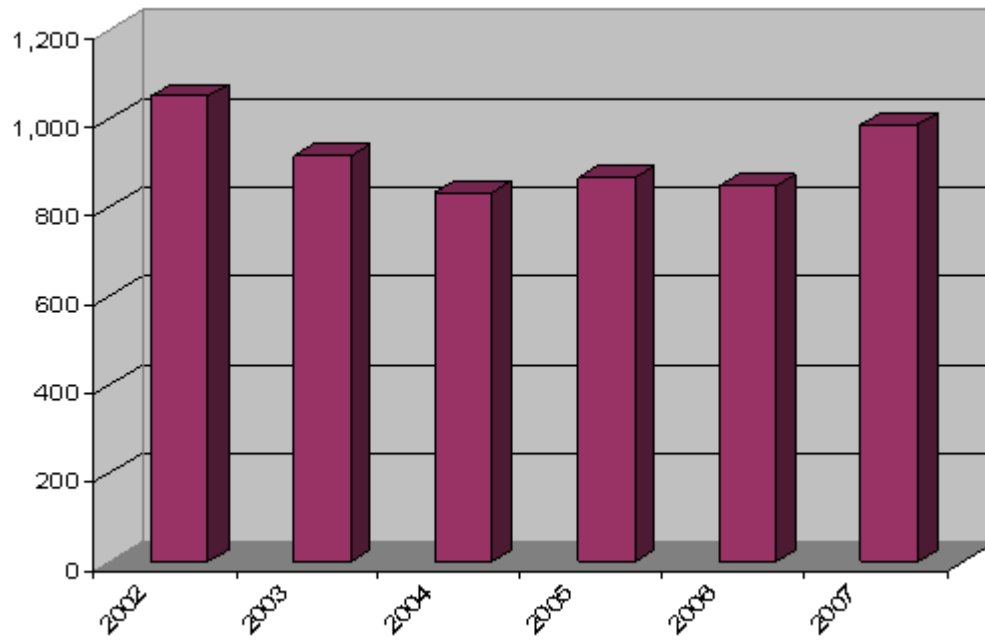
Table 3: Pistachio Imports by Year Value - \$1,000 Volume – Metric Ton

	2006		2007		2008		2009(Jan-Aug)	
	Value	Volume	Value	Volume	Value	Volume	Value	Volume
USA	1,050	150	1,507	256	2,138	375	1,160	152
Iran	1,353	280	944	165	139	8	254	11
Others	16	1	105	14	598	122	181	36
Total	2,419	431	2,556	435	2,875	505	1,595	199

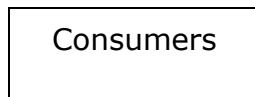
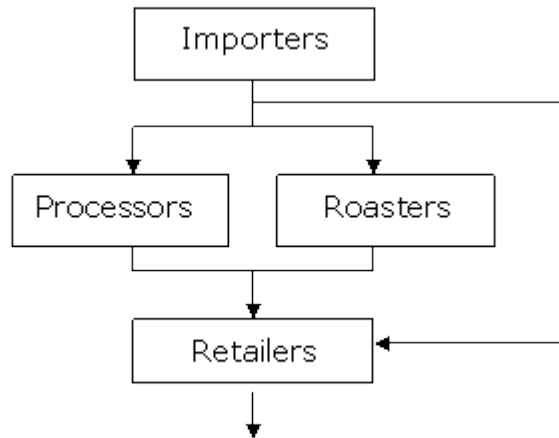
*Imports included both shelled and in-shell pistachios

Source: Korea Trade Information Service

Chart 1: Korean walnut Production (Metric Ton)



Distribution Channel



Company Profiles

There are about 30 companies which are importing almonds, walnuts and pistachios in Korea. They are regular importers, food manufacturers and retailers. For specific information on these tree nut importing companies, please contact ATO Seoul.

SECTION III: COSTS AND PRICES

There are no tariff-rate quotas for tree nuts in Korea. Korea imposes a 45 percent customs duty plus a 10 percent Valued Added Tax on imports of roasted/prepared almonds, walnuts and pistachios while they impose only 8 percent on imports of raw almonds, 30 percent on the imports of raw pistachios and raw shelled walnuts respectively, and 45

percent on imports of raw in-shell walnuts. Accordingly, Korean importers import tree nuts in raw form in order to avoid high customs duties.

Table 4: Average Import Prices from USA (based on CIF prices) per ton

Year	Almond	Walnut	Pistachio
2005	6,935	5,456	5,607
2006	7,356	6,283	7,000
2007	5,700	6,819	5,887
2008	5,112	9,626	5,701
2009*	4,531	4,541	7,632

*2009 January-August Source: Korea Trade Information Service

Table 5: Korea – U.S. Free Trade Agreement

Product	HS Number	Current Tariff Rate	Phase-out
Almonds, in shell	0802.11.0000	8 percent	Immediate
Almonds, shelled	0802.12.0000	8 percent	Immediate
Walnuts, in shell	0802.31.0000	45 percent	15 years a/
Walnuts, shelled	0802.32.0000	30 percent	6 years b/
Dried Pistachios	0802.50.0000	30 percent	Immediate
Other prepared nuts	2008.19.9000	45 percent	10 years c/

a/ The duty on in-shell walnuts shall be removed in 15 equal annual stages beginning on the date the FTA enters into force, and the walnuts shall be duty-free, effective January 1 of year fifteen.

b/ The duty on shelled walnuts shall be removed in 6 equal annual stages beginning on the date the FTA enters into force, and the walnuts shall be duty-free, effective January 1 of year six.

c/ The duty on roasted/prepared almonds, walnuts and pistachios shall be removed in 10 equal annual stages beginning on the date the FTA enters into force, and these prepared nuts shall be duty-free, effective January 1 of year ten.

SECTION IV: MARKET ACCESS

Traders say that there are currently no significant barriers or problems in importing tree nuts from the United States to Korea.

All tree nuts including almond, walnuts and pistachios must be accompanied by a Phytosanitary Certificate, PPQ Form 577, issued by USDA/APHIS (Animal & Plant Health Inspection Service).

The issuance date of the phytosanitary certificate shall be prior to the departure date listed on the Bill of Lading. Also, the inspection date on a certificate must be prior to the departure date.

Both in-shell and shelled walnuts must be fumigated according to the schedules agreed between USA and Korea and accompanied by a Phytosanitary certificate, PPQ Form 577, issued by USDA/APHIS

For further details on plant quarantine issues, please contact your local APHIS/PPQ office, and/or APHIS Seoul Office listed in Section V of this report.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

U.S. Agricultural Trade Office

Korean Address: Room 303, Leema Building
146-1, Susong-dong, Chongro-ku, Seoul, Korea
U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-ATO
APO, AP 96205-5550
Telephone: 822 397-4188 Fax: 822 720-7921
E-mail: atoseoul@fas.usda.gov Website: www.atoseoul.com

Agricultural Affairs Office

Korean Address: U.S. Embassy, 32, Sejong-ro
Chongro-ku, Seoul, Korea
U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-AGAFF
APO, AP 96205-5550
Telephone: 82-2 397-4297 Fax: 82-2 738-7147
E-mail: agseoul@fas.usda.gov

For further information about sanitary and phytosanitary requirements, please contact:

USDA, Animal Plant and Health Inspection Service (APHIS)

Korean Address: Room 303, Leema Building
146-1, Susong-dong, Chongro-ku, Seoul, Korea
U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-APHIS
APO, AP 96205-5550
Telephone: 82-2 725-5495 Fax: 82-2 725-5496
Website: www.aphis.usda.gov

U.S. Address: USDA, APHIS, PPQ
4700 River Road, Unit 140
Riverdale, MD 20737
Telephone: 301-734-8262 Fax: 301-734-7639

For more information about the Korean market, please review Exporter Guide Annual 2009 dated October 1, 2009 (KS9047), FAIRS Country Report Annual dated August 12, 2009 (KS9039) and FAIRS Export Certificate dated September 28, 2009 (KS9046).

[1] Source: [World Factbook](#)